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Report Highlights:
As a result of continued low prices, growing production costs, and declining productivity, Indonesia's coffee production is forecast to continue falling through 2004/05. Given the expectations for lower domestic supplies, exports are forecast to decline as well. The low returns have discouraged investment and expansion in Indonesia's coffee sector, and prospects for any rebound remain dim. One bright area has been in production of specialty coffees, which obtain a premium on the international market. However, these niche market type coffees comprise a small proportion of Indonesia's total production.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I – SITUATION AND OUTLOOK

Production

Low returns, and in some areas political instability, continue to discourage new investment and improved management practices. While area expansion has occurred in some areas, this has been negated by reductions in others. As a result, 2003/04 and 2004/05 area is forecast to remain at 1 million Ha. Furthermore, low profitability continues to inhibit advances in plantation management, and quality and yield improvement remains low. For the last three marketing years yields have remained constant to falling, and no evidence suggests yields will rebound in the future. As a result, production is forecast to fall to 360,000 tons (6,000 tbags) and 345,000 tons (5,750 tbags) in 2003/04 and 2004/05, respectively.

While in general area and production are falling, efforts are being made to expand in certain areas and to focus on certain types of coffee. Exports of specialty coffees are reportedly growing, particularly where producers have contract arrangements with overseas branded retailers. Several areas have been accredited to produce organic coffee. In addition, advances are being made in one of the most important coffee-producing provinces (Lampung), where the extension service and the Indonesian Coffee Exporters Association (AEKI) have successfully improved yields.

To enhance the viability of the sector, attention is being paid to increasing Arabica area, which currently accounts for only 15 percent of total area and approximately 11 percent of total production. While the goal is for Arabica to reach 30 percent of total area, several factors have hamper Arabica expansion, including limited suitable area at high elevations.

Consumption

Domestic coffee consumption remains relatively low (25-30 percent of domestic production), but has potential to grow. The association is focusing its efforts on promoting Indonesian coffee to increase consumption. Modern coffee shops (mostly franchise) have become very trendy for middle-upper income customers in big cities (they generally use imported coffee bean and/or blended coffee).

Small-scale home industries have been growing, especially in the coffee producing areas. This industry uses mainly lower quality coffee beans, producing traditionally blended coffee powder with many different kind of spices (the higher qualities wished-for export). Medium and large-scale industries (producing mainly but not limited to coffee powder, instant coffee, soluble coffee and other product containing coffee such as candy) are reportedly also growing. Total production capacity from the ten largest industries is approximately 30 thousand tons.

Prices

In mid-April 2004, farm gate prices of Robusta in the production areas of East Java were reportedly around Rp. 6,000/kg, or US$ 705.9/ton at an exchange rate Rp. 8,500/US$1 (compare to US$ 700/ton at London coffee terminal). Robusta wet processed in this area was sold at an average Rp. 9,325/kg or US$ 1,097/ton. Robusta coffee was quoted in Lampung at a bench prices ranging from Rp. 4,530 to Rp. 5,190/kg or US$ 532.9 to US$ 610.6/mt. During the first four-months of 2004, farm gate prices in this area declined from Rp. 4,030/kg in January to Rp. 3,890/kg in April 2004 (US$ 474.1 to US$ 457.6/ton).

Stocks

In addition to the normal pipeline stocks, reportedly farmers and exporters are holding stocks waiting for better prices. With increasing domestic consumption and slower exports, stocks are estimated at 471 tbags in 2003/04 and forecast to stand at 416 tbags in 2004/05.

Trade

Exports are forecast to decline about 15 percent in 2003/04, as Indonesia's Robusta continues to lose competitiveness on the world market. Exports in 2004/05 are forecast to remain at 4,000 tbags. However, to maintain exports at this level, it will be essential to satisfy two different trade channels, i.e., consistency in the volume and delivery schedule (for commercial/robusta coffee) and reliability in quality (for specialty/arabica coffee). Of total coffee bean production, nearly 70 percent is exported.

To fulfill buyers' demand, traders imported coffee beans (mainly from Vietnam) for re-export. Imported beans (green and roasted) are required to blend with local coffee varieties. Vietnam and East Timor are the top suppliers to Indonesia. This practices allows Indonesia to export a larger percentage of higher grade Robusta coffee, and the percentage of exports at higher grades has been increasing. Nonetheless, the proportion remains low at only about 10 percent for the high grades.

Based on official trade data, Indonesia green coffee (combined Arabica and Robusta) export prices during January-November increased from an average of US$ 664.2/ton in 2002 to US$ 782.1/ton during the same period in 2003. Roasted bean export prices are also increased, from an average of US$ 1,867/ton in 2002 to US$ 2,437.6/ton during Jan-Nov, 2003. The average of all grades of Arabica export prices (recorded during October 2002 - September 2003) was US$ 1.99/kg, while the average export prices of all grades of Robusta during the same period was only US$ 0.69/kg. The average green coffee import price during January-November 2003 was recorded at US$ 966.9/ton compared to US$ 502.2/ton (cif) during the same period in 2002. Roasted coffee was recorded at US$ 1,950.4/ton compared to US$ 1,944.3/ton (cif) in 2002.

Policy

Despite financial difficulties in funding the membership fee, Indonesia maintains its position in the International Coffee Organization (ICO). In the past, the government paid the membership fee, but since 2002/03 the government has assigned some of the payment responsibilities to AEKI.

Indonesia has approached Vietnam to cut coffee production and lower exports to boost (robusta) prices. However, it is unlikely that this will be successful. Other efforts to improve quality and productivity will also be problematic. In Indonesia, where 95 percent of the production is under smallholder management, quality enhancement would require a broad and sustained systematic effort.

As one of the largest robusta producing countries, Indonesia continues escalating its efforts to produce a larger percentage of higher coffee bean quality and to promote domestic coffee consumption. With nearly 220 million inhabitants, the market has abundant potential, as current coffee and products consumption is only at around 0.5 kilogram/capita per year.

The sector has request that the government stop assessing a 10 percent sales tax on coffee beans. The tax adds an additional burden to farmers as they receive lower prices; and also discourages exporters; while they are eligible to be reimbursed for the tax, it takes a long time to process.

The industry is also attempting to establish geographic denominations for certain types of coffee (from Bali). This is currently being processed for domestic, but may be also be attempted for the international market. Indonesia has an ill-fated experience when Indonesian specialty coffee (Toraja coffee), which has been successfully marketed in Japan and in the United States.

SECTION II – STATISTICAL INFORMATION AND TABLES

Table 1. Production, Supply and Demand

PSD Table						
Country	**Indonesia**			(1000 HA)(MILLION TREES)		
Commodity	**Coffee, Green**			(1000 60 KG BAGS)		
	2003	Revised	2004	Estimate	2005	Forecast
	USDA	Post	USDA	Post	USDA	Post
	Official [Old]	Estimate [New]	Official [Old]	Estimate [New]	Official [Old]	Estimate [New]
Market Year Begin		04/2002		04/2003		04/2004
Area Planted	1050	1050	950	1000	0	1000
Area Harvested	840	840	800	800	0	800
Bearing Trees	1175	1175	1270	1110	0	1110
Non-Bearing Trees	215	215	215	210	0	200
TOTAL Tree Population	1390	1390	1485	1320	0	1310
Beginning Stocks	188	188	131	131	342	471
Arabica Production	500	500	500	550	0	550
Robusta Production	5640	5640	5200	5450	0	5200
Other Production	0	0	0	0	0	0
TOTAL Production	6140	6140	5700	6000	0	5750
Bean Imports	74	74	70	70	0	80
Roast & Ground Imports	10	10	5	15	0	15
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	84	84	75	85	0	95
TOTAL SUPPLY	6412	6412	5906	6216	342	6316
Bean Exports	4755	4755	4039	4000	0	4000
Roast & Ground Exports	46	46	30	45	0	50
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	4801	4801	4069	4045	0	4050
Rst,Ground Dom. Consum	1440	1440	1450	1650	0	1790
Soluble Dom. Consum.	40	40	45	50	0	60
TOTAL Dom. Consumption	1480	1480	1495	1700	0	1850
Ending Stocks	131	131	342	471	0	416
TOTAL DISTRIBUTION	6412	6412	5906	6216	0	6316

Note: "Old" column is FAS/Washington data. For FAS/Jakarta's previous PS&D see ID3027.

Table 2. Total Robusta and Arabica Coffee Area and Production 2002*and 2003**

Province	Area Harvested (Ha)			Production (MT)		
	2001*	2002*	2003**	2001*	2002**	2003***
South Sumatera	289,610	294,103	295,574	139,261	142,470	143,182
Lampung	164,905	164,737	165,561	90,515	150,805	151,559
Sub Total: Sumatera	**837,956**	**872,315**	**877,303**	**399,048**	**499,774**	**502,305**
West Java	14,025	14,113	14,183	5,062	5,370	5,397
Central Java	40,341	41,762	41,951	15,647	15,236	15,328
East Java	91,872	92,488	92,741	41,941	42,714	42,962
Sub Total: Java	**156,907**	**159,059**	**159,624**	**65,278**	**65,947**	**66,327**
Bali	42,072	36,819	37,003	19,705	19,352	19,449
Sub Total: Bali & Nusa Tenggara	**118,965**	**144,215**	**144,932**	**38,135**	**49,501**	**49,761**
West Kalimantan	17,849	20,703	20,807	5,143	5,490	5,517
East Kalimantan	15,963	16,906	16,991	5,885	6,150	6,181
Sub Total: Kalimantan	**46,857**	**50,652**	**50,905**	**14,525**	**15,206**	**15,282**
Central Sulawesi	26,604	26,228	26,349	5,705	7,257	7,368
South Sulawesi	95,188	117,444	118,043	38,978	46,027	46,278
Sub Total: Sulawesi	**142,425**	**164,066**	**164,888**	**52,080**	**60,860**	**61,260**
Maluku & Irian Jaya	17,759	22,516	22,629	6,094	7,301	7,338
Total Indonesia	**1,320,869**	**1,412,823**	**1,420,281**	**575,160**	**698,589**	**702,273**

Source: Estate Crops Statistics, Directorate General of Estate Crops Production, Ministry of Agriculture. Processed by FAS/Jakarta.

Note: Table is presented to describe major coffee producing areas and does not reflect the figure in the PS&D table.
* : Final figure
** : Preliminary figure

Table 3-a. Coffee (Green) Export
Calendar Year 2002 and 2003 (January-November)

Export Trade Matrix

Country	Indonesia		
Commodity	Coffee, Green		
Time Period	Jan - Nov	Units:	K 60 Kg Bags
Exports for:	2002		**2003**
U.S.	643	U.S.	704
Others		Others	
Japan	884	Germany	858
Germany	854	Japan	790
Korea, South	244	Italy	352
Poland	240	United Kingdom	196
Italy	227	Poland	176
Singapore	196	South Africa	144
United Kingdom	169	Romania	139
Romania	158	Singapore	136
Malaysia	154	Spain	108
Belgium	134	Korea, South	103
South Africa	121	Morocco	91
Bulgaria	114	Malaysia	90
Morocco	103	Bulgaria	87
Georgia	80	Egypt	83
Egypt	61	Georgia	82
Netherlands	57	Algeria	71
Spain	55	Belgium	69
Taiwan	52	Taiwan	51
France	50	India	48
Algeria	36	Estonia	43
Total for Others	3989		3717
Others not Listed	419		404
Grand Total	5051		4825

Source: Global Trade Statistics

Table 3-b. Coffee (Green) Export
Marketing Year (April-November) 2002 and 2003

Export Trade Matrix

Country	Indonesia		
Commodity	Coffee, Green		
Time Period	Apr - Nov	Units:	K 60 Kg Bags
Exports for:	2002		**2003**
U.S.	450	U.S.	482
Others		Others	
Japan	630	Germany	613
Germany	618	Japan	600
Korea, South	216	Italy	226
Poland	193	United Kingdom	148
Italy	169	Romania	104
Singapore	136	Poland	97
Romania	127	South Africa	96
Malaysia	96	Singapore	96
United Kingdom	95	Spain	93
Belgium	88	Morocco	65
South Africa	81	Georgia	65
Bulgaria	73	Korea, South	65
Morocco	67	Malaysia	58
Georgia	54	Bulgaria	58
France	45	Egypt	55
Egypt	43	Belgium	47
Taiwan	41	Taiwan	39
Netherlands	40	India	36
Spain	32	Philippines	33
Algeria	31	Estonia	31
Total for Others	2875		2625
Others not Listed	287		287
Grand Total	3612		3394

Source: Global Trade Statistics

Table 4-a. Coffee (Roasted) Export
Calendar Year 2002 and 2003 (January-November)

Export Trade Matrix

Country	Indonesia		
Commodity	Roasted Coffee		
Time Period	Jan - Nov	Units:	K 60 Kg Bags
Exports for:	2002		2003
U.S.	4	U.S.	2
Others		Others	
Taiwan	8	Malaysia	11
Poland	7	Taiwan	8
Japan	5	Japan	7
Malaysia	5	Poland	5
Singapore	3	Singapore	2
Uruguay	2	Thailand	2
Hong Kong	1	Australia	2
Korea, South	1	Hong Kong	1
Vietnam	1	Uruguay	1
United Arab Emirates	1	Saudi Arabia	1
Total for Others	34		40
Others not Listed	4		8
Grand Total	42		50

Source: Global Trade Statistics

Table 4-b. Coffee (Roasted) Export
Marketing Year (April-November) 2002 and 2003

Export Trade Matrix

Country	Indonesia		
Commodity	Roasted Coffee		
Time Period	Apr - Nov	Units:	K 60 Kg Bags
Exports for:	2002		**2003**
U.S.	4	U.S.	2
Others		Others	
Taiwan	6	Malaysia	10
Poland	6	Japan	7
Japan	4	Taiwan	6
Malaysia	4	Poland	4
Singapore	2	Singapore	2
Uruguay	2	Thailand	2
Korea, South	1	Australia	2
Hong Kong	1	Hong Kong	1
United Arab Emirates	1	Uruguay	1
		Chile	1
Total for Others	27		36
Others not Listed	4		3
Grand Total	35		41

Source: Global Trade Statistics

Table 5-a. Coffee (Green) Import
Calendar Year 2002 and 2003 (January-November)

Import Trade Matrix

Country	Indonesia		
Commodity	Coffee, Green		
Time Period	Jan - Nov	Units:	K 60 Kg Bags
Imports for:	2002		2003
U.S.	1	U.S.	0
Others		Others	
Vietnam	67	Batam Islands	20
Batam Islands	17	East Timor	18
East Timor	13	Vietnam	7
Laos	5	Brazil	2
Kenya	3	Japan	2
Brazil	3	China	1
Japan	2	Guatemala	1
Singapore	2	Italy	1
Malaysia	1	Turkey	1
China	1	Taiwan	1
Total for Others	114		54
Others not Listed	1		2
Grand Total	116		56

Source: Global Trade Statistics

Table 5-b. Coffee (Green) Import
Marketing Year (April-November) 2002 and 2003

Import Trade Matrix

Country	Indonesia		
Commodity	Coffee, Green		
Time Period	Apr - Nov	Units:	K 60 Kg Bags
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Vietnam	20	East Timor	17
Batam Islands	12	Batam Islands	15
East Timor	10	Vietnam	2
Laos	3	Brazil	2
Kenya	3	Japan	2
Brazil	3	China	1
Japan	2	Guatemala	1
Singapore	1	Italy	1
China	1	Malaysia	1
		Turkey	1
Total for Others	55		43
Others not Listed	2		1
Grand Total	57		44

Source: Global Trade Statistics

Table 6-a. Coffee (Roasted) Import
Calendar Year 2002 and 2003 (January-November)

Import Trade Matrix

Country	Indonesia		
Commodity	Roasted Coffee		
Time Period	Jan - Nov	Units:	K 60 Kg Bags
Imports for:	2002		2003
U.S.	1	U.S.	1
Others		Others	
Singapore	2	Brazil	12
Malaysia	1	Singapore	1
Brazil	1	Korea, South	1
		Italy	1
Total for Others	4		15
Others not Listed	1		1
Grand Total	6		17

Source: Global Trade Statistics

Table 6-b. Coffee (Roasted) Import
Marketing Year (April-November) 2002 and 2003

Import Trade Matrix

Country	Indonesia		
Commodity	Roasted Coffee		
Time Period	Apr - Nov	Units:	K 60 Kg Bags
Imports for:	2002		2003
U.S.	0	U.S.	1
Others		Others	
Singapore	2	Brazil	10
Malaysia	1	Singapore	1
Brazil	1	Korea, South	1
Total for Others	4		12
Others not Listed	1		0
Grand Total	5		13

Source: Global Trade Statistics

Table 7. Indonesia's Export and Import of Coffee

Year	Export			Import		
	Volume Metric Tons	Value US$ (FOB)	Unit Price US$/MT	Volume Metric Tons	Value US$ (FOB)	Unit Price US$/MT
1999	358,018.25	488,759,506.00	1,365.18	3,045.07	3,778,983.00	1,241.02
2000	345,625.03	339,876,257.00	983.37	3,778.98	12,139,064.00	3,212.26
2001	254,752.83	203,524,255.00	798.91	8,933.33	7,294,347.00	816.53
2002	330,394.77	239,635,106.00	725.30	8,321.52	6,288,427.00	755.68
2003 */	296,285.41	248,140,790.00	837.51	5,134.95	7,296,575.00	1,420.96

Source: Trade by SITC, BPS Statistics Indonesia. Processed by FAS/Jakarta.

Note: */ Preliminary. For January-November period.

Table 8. Exchange Rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	7,414	7,517	7,598	7,988	8,728	8,742	9,055	8,370	8,891	9,483	9,524	9,385
2001	9,488	9,914	10,460	12,117	11,423	11,436	9,744	9,045	9,696	10,358	10,476	10,450
2002	10,383	10,222	9,779	9,441	9,823	8,741	9,171	8,938	9,057	9,257	9,020	8,929
2003	8,877	8,917	8,957	8,711	8,274	8,259	8,643	8,488	8,389	8,520	8,537	8,465
2004	8,441	8,447	8,587	8,626	8,940							

Source: BPS Statistics Indonesia and Business Indonesia Daily Newspaper.

Note: - November 2003 exchange rate is quoted for November 21, 2003
- January 2004 exchange rate is quoted for January 30, 2004
- February 2004 exchange rate is quoted for February 27, 2004
- May 2004 exchange rate is quoted for May 7, 2004
- BPS data available up to August 2003

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